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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002452

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STATE PASS USTR  
USTR FOR ALTBACH, WINTER AND WINELAND,  
TREASURY PASS TO FEDERAL RESERVE/BOARD OF GOVERNORS,  
AND SAN FRANCISCO FRB/TERESA CURRAN

E.O. 12958: DECL: 07/20/2026  
TAGS: [WTO](#) [ETRD](#) [ECON](#) [PREL](#) [TW](#)  
SUBJECT: GPA/PVS DEMARCHE DELIVERED TO VP TSAI

REF: A. SECSTATE 117785  
[1](#)B. PHRMA TIFA RECOMMENDATIONS WHITE PAPER  
[1](#)C. JULY 18 BHATIA-CHEN LETTER

Classified By: AIT DIRECTOR STEPHEN M. YOUNG, REASON 1.4 B

[1](#)1. (C) Summary: On July 19 Taiwan Vice Premier Tsai Ing-wen assured AIT Director that U.S. comments on the Fifth Price-Value Survey (PVS) would be welcome and given full consideration through September 15 and that the Bureau of National Health Insurance (BNHI) would make no further announcements on the PVS prior to that time. VP Tsai responded cautiously to ref A points on the WTO Government Procurement Agreement (GPA), but said she would relay the points to the National Security Council (NSC) and President. Tsai commented briefly on Taiwan's continuing desire for a

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Free Trade Agreement (FTA) with the United States, and expressed pessimism that the upcoming Sustainable Economic Development Conference would produce significant results. Separately on July 19, AIT delivered ref B/C documents to BNHI and the Ministry of Economic Affairs (MOEA). Action request para 10. End summary.

[1](#)2. (C) On July 19 AIT Director delivered ref A talking points, and left copies of the ref B letter and ref C white paper during a meeting with Taiwan Vice Premier Tsai Ing-wen, who had invited Hsiao Mei-ling of the Taiwan Department of Health and Lee Cheng-hua of BNHI to join the session. The Director received assurances that a) the deadline for industry (and U.S.) comments on the Fifth Price-Value Survey (PVS) would be extended until September 15, b) BNHI would make no further announcements concerning the PVS, and c) USTR and PhRMA views on pharmaceutical pricing issues would be given careful consideration.

Two-Month Comment Period on PVS  
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[1](#)3. (C) In response to direct questioning from the Vice Premier, Hsiao and Lee claimed that BNHI had all along planned to allow a two-month period for industry to comment on the PVS guidelines (from July 17 to September 15). They

explained that talk of a two-week deadline during a July 14 meeting between BNHI and AIT was only to indicate they wanted to receive industry comments as soon as possible.

14. (C) AIT ECON relayed the Bhatia letter and PhRMA white paper to BNHI President Liu Chien-hsiang, and to MOEA with instructions that the documents be forwarded to MOEA Vice Minister Steve Chen who is currently traveling out of Taiwan. AIT later confirmed that Chen received the documents.

#### GPA Nomenclature a Sensitive Issue

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15. (C) As instructed ref A, the Director made clear that on the issue of the WTO Government Procurement Agreement the U.S. would like to have a Taiwan response to the suggested footnotes prior to Economic Deputy Minister Steve Chen's meetings in Washington the week of July 23. VP Tsai cautiously responded that she would relay the U.S. points to NSC Chiou I-jen and President Chen.

16. (C) Comment: Tsai's cautious response reflected the political sensitivities surrounding the GPA nomenclature issue. The Director stressed our sense that this was a reasonable solution to a long-standing problem, and proper handling by Taiwan was necessary to avoid our losing confidence that Taiwan is approaching the problem from a practical perspective. The Director has a meeting with President Chen on July 21 during which he will follow-up on this question.

#### FTA Again Raised

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17. (C) Vice Minister Tsai sought at one point to complain  
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that we were demanding a "high price" in market opening from Taiwan as a "down payment" for an FTA without offering any guarantee that an FTA deal would ever be reached. She said some business people reported that South Korea claimed to have offered a \$30 billion package of trade incentives to the United States as an incentive for an FTA. These business people suggested that Taiwan needed to offer a similar value of trade incentives. The VP said she hoped U.S. officials realized that Taiwan markets were already far more open to U.S. products than were South Korea's markets.

18. (C) The Director corrected Vice Premier Tai's multiple misperceptions: First, he explained, we are working on the TIFA agenda laid out in May because progress on these issues is in both sides' interests, and it was inappropriate to label this a "high price." Second, any comparison between U.S. trade relations with Taiwan and with South Korea was misplaced here. Third, DUSTR Bhatia and others have clearly spelled out the limitations that prevent the United States from embarking on another FTA negotiation at this time. Fourth, any possibility that in the future (with special emphasis on the expiration next summer of Congressionally mandated negotiating authority) an FTA with Taiwan might become feasible will very much take into account our ability to advance the trade agenda within TIFA.

#### Sustainable Economic Development Conference

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19. (C) On the margins of the meeting discussed above, Vice Premier Tsai privately told the Director that she had lost hope of substantive outcomes on economic policy at the long-planned, much maligned July 27-28 Sustainable Economic Development Conference. The Director told Tsai that Washington has been impressed by her efforts and those of Premier Su Tseng-chang to further liberalize cross-Strait economic links. He expressed hope that the political climate here will permit this trend to continue. Agreeing on the importance of this work, Tsai said that at this point she and

the Premier just hope nothing said or done at the conference will limit or restrict efforts to liberalize cross-Strait economic relations. She particularly noted the deep Greens' (particularly former president Lee Teng-hui's TSU party) desire to derail such efforts.

Action Request

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¶10. (C) The Director told VP Tsai that AIT would advise Washington of these assurances on the PVS issues and let the Vice Premier know just as soon as possible if they fully addressed all U.S. concerns. Action request: Please advise if Washington agencies believe these assurances fully meet the U.S. concerns whether Taiwan is living up to the spirit and letter of understandings reached on pharmaceutical pricing during the May 2006 TIFA talks in Taipei.

YOUNG